



Subsidised bus service contract recommendations: financial implications

Committee Operations

Date of meeting 20 August 2021

Date of report 4 August 2021

1. Object of report

To advise the Committee of the financial implications of the subsidised bus contract recommendations being considered at the meeting.

2. Background

Members have previously been appraised since the start of the current public health emergency of the ongoing challenges the Covid-19 pandemic has had on the organisation and the financial environment and stability. In providing a balanced SPT budget for 2021/22, an assumption of continued Covid income loss grant from Transport Scotland was made. At the time of writing Covid support until September 2021 has been confirmed.

As highlighted to members, it has been necessary to critically review all expenditure areas with a view to reducing the forecast deficit as much as possible. Members have previously been advised that the level of savings needed cannot be achieved without impacts on services either directly or indirectly. The approved budget allowed scope for accommodating foreseen and unforeseen costs arising from tender renewals and also inflationary increases on contracts in line with the Conditions of Contract.

The closing position reported to the April Operations Committee meeting was as follows:

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£11,585,406	£755,941

The net projected outturn has decreased by £631,873 since the last Operations Committee and is based on a detailed review of individual contract costs to date and future plans at the time of writing.

The main change since the last Committee relates to four My Bus contracts which are currently suspended. At the time of budget setting it was anticipated that these contracts would be operating again at some point in the current financial year. However, at the time of writing, it is not anticipated these contracts will be reinstated before the end of the 2021/22 as current MyBus demand is being met within the existing service provision available, although this is being closely monitored. This will generate an in-year saving only as these contracts are due to end in either July 2024 or July 2025 and will therefore require to be incorporated into future year’s budgets.

During the course of the financial year, actual contract costs continue to be monitored and compared to budgeted costs. Actual costs are reflected following receipt of the 4 weekly returns, which provide details of services operated and income generated. The current projected outturn position prior to papers recommended at this Committee is detailed below:

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£10,953,533	£1,387,814

3. Proposals

Bus contracts are reviewed and retendered having assessed the current need and network. Clearly at this time there remains many challenges in the network and The Scottish Government continue to support the commercial network. SPT continues to review the gaps in that network to avoid communities being left without transport. Should the committee accept all the recommendations contained within the following papers, this would result in a reduced cost of £52,379 against the 2021/22 budget. The net impact is detailed below:

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£10,901,154	£1,440,193

While members are being advised of a positive variance at this stage, given the importance of SPT services as a key element in the regional network, SPT needs flexibility to react to changes in passenger flows, demand for My Bus and the bus market as Covid restrictions ease.

A key concern moving forward is the significant risk to the commercial market if and when financial support from the Scottish Government reduces or ceases. This could potentially create significant network gaps in the bus market if commercial operators withdraw services, leading to increased demand for SPT to provide further support in this area. Notwithstanding the current positive variance, any significant increased demand is unlikely to be affordable within the current resources available to SPT. However, the current positive variance reported at this stage would allow SPT some limited flexibility to support the regional and local network in the months ahead.

4. Committee action

The committee is asked to note:

- the financial implications of the recommendations in the following papers, and give due consideration to this in the course of the decision making. The impact of individual decisions is reported in each paper for consideration; and
- the projected positive variance reported which may require to be partly utilised later in the financial year to support the regional and local network.

5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>As detailed in the report.</i>
Personnel consequences	<i>None.</i>

Equalities consequences *None*
Risk consequences *None.*

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